

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 DODE-00 DOTE-00 EB-07

INR-07 NSAE-00 FAA-00 XMB-02 PA-01 USIA-06 /038 W

----- 003870

P R 181340Z FEB 76

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC PRIORITY 2703

INFO USDOC WASHDC

AMEMBASSY LONDON

AMEMBASSY ROME

FAA BRUSSELS

C O N F I D E N T I A L ATHENS 1487

NOFORN

EXIMBANK FOR TUTINO, USDOC FOR BIC/OED COHEN, ROME FOR RCAA

E.O. 11652: GDS

TAGS: BEXP BENC EAIR EFIN GR

SUBJ: OLYMPIC PURCHASE OF NEW TWINJET AIRCRAFT

REF A. ATHENS 1472 B. ATHENS 939 C. ATHENS 757

D. ATHENS 709 E. ATHENS 472 F. ATHENS 283 G. 75 ATHENS 9308

H. 75 ATHENS 7955 (ALL NOTAL)

1. EVEN THOUGH PRIME MINISTER CARAMANLIS IN A STATE-
MENT LAST MONTH GAVETHE GO-AHEAD FOR PURCHASE OF NEW
TWINJET AIRCRAFT FOR OLYMPIC AIRWAYS (REF E), THE SELECTION
PROCESS CONTINUES TO BE DELAYED BECAUSE OF EVIDENT POL-
ITICAL PROBLEMS WITHIN THE GOG (REF A). THE UNEXPECTED
FORMATION OF A SPECIAL AIRCRAFT EVALUATION COMMITTEE
LAST NOVEMBER (DESPITE OLYMPIC MANAGEMENT'S CLEAR
PREFERENCE FOR BOEING ON TECHNICAL GROUNDS -- REFS G AND H);
THE DELAYS IN RELEASING THE COMMITTEE'S REPORT (REF F);
THE EVENTUAL UNANIMOUS DECISION OF THE COMMITTEE LAST
MONTH IN FAVOR OF BOEING, WITH MCDONNELL-DOUGLAS SECOND
AND BAC A DISTANT THIRD (REF C); THE CALLING OF AN UN-
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PRECEDENTED OPEN HEARING TO EXPLAIN THE COMMITTEE'S

DECISION (REF B); THE REQUEST BY THE BRITISH FOR FURTHER DELAY TO CONSIDER THE COMMITTEE'S REPORT; THE CONTINUING REPORTS OF POLITICAL PRESSURE IN LONDON AND ATHENS ON BEHALF OF BAC (REF D)--ALL THIS FORMS THE BACKGROUND TO THE CURRENT SITUATION.

2. ON FEBRUARY 14, BOEING REPRESENTATIVES REPORTED TO GOG AND TO EMBASSY THAT UNLESS GOG REACHED A DECISION BY FEBRUARY 18, BOEING WOULD HAVE TO REMOVE FROM ITS PRODUCTION LINE TWO PLANES CURRENTLY EARMARKED FOR OLYMPIC, WHICH WOULD CAUSE A SIGNIFICANT REVISION IN BOEING'S OFFER.

3. IN THE LATEST DEVELOPMENTS, ELEFTHEROITYPIA CLAIMED ON FEBRUARY 16 THAT THE BRITISH AMBASSADOR AND LOCAL BAC DEALER EXERTED "SERIOUS PRESSURE" ON TRANSPORT MINISTER BOYATZIS DURING A CALL ON HIM LAST WEEKEND. THIS PROMPTED AN OFFICIAL DENIAL FROM THE MINISTRY THAT PRESSURE WAS EXERTED BY THE BRITISH AMBASSADOR'S CALL, WHICH THE MINISTRY CHARACTERIZED AS A REQUEST FOR CERTAIN INFORMATION AND CLARIFICATION OF POINTS RAISED BY THE EVALUATION COMMITTEE'S REPORT. ON FEBRUARY 18, KATHEMERINI REPORTED THAT BAC HAS NOW SENT A MEMORANDUM TO PRIME MINISTER CARAMANLIS AND THE APPROPRIATE CABINET MINISTERS AND UNDERSECRETARIES PROTESTING THE AIRCRAFT EVALUATION COMMITTEE'S RATIONALE AND METHODOLOGY, AND ALLEGING THAT CERTAIN ASPECTS OF THE BAC OFFER WERE MISINTERPRETED. FINALLY, IT SHOULD BE NOTED THAT ALTERNATE COORDINATION MINISTER JOHN BOUTOS LEFT ATHENS FOR LONDON ON FEBRUARY 16 AT THE INVITATION OF THE BRITISH SECRETARY OF STATE FOR TRADE IN ORDER TO (IN BOUTOS'S WORDS) QUOTE- EXAMINE OPPORTUNITIES FOR EXPANDING ECONOMIC RELATIONS BETWEEN GREECE AND BRITAIN IN VIEW OF...(GREECE'S) ADMISSION TO THE EC...END QUOTE

4. AGAINST THIS BACKGROUND, ECONOMIC/COMMERCIAL COUNSELOR AGAIN SPOKE TO COORDINATION MINISTER PAPALIGOURAS TO INQUIRE ABOUT CURRENT STATUS OF GOG DECISION MAKING PROCESS. PAPALIGOURAS CONCEDED THAT POLITICAL CONSIDERATIONS, EXPECIALLY QUESTIONS BEING RAISED BY REPRESENTATIVES OF THE OPPOSITION PARTY, THE UNION OF THE DEMOCRATIC CENTER, WERE CONFIDENTIAL

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NOW CONTRIBUTING TO THE DELAY. HE REPEATED, HOWEVER, ASSURANCES GIVEN TO THE AMBASSADOR IN NOVEMBER (REF G) AND JANUARY (REF D), AND TO THE COUNSELOR IN JANUARY (REF E), THAT THE US "HAS NOTHING TO WORRY ABOUT", THAT THE DECISION WOULD BE MADE ON TECHNICAL AND NOT POLITICAL GROUNDS, AND THAT IT WAS UNTHINKABLE TO HIM THAT THE EVALUATION COMMITTEE'S UNANIMOUS RECOMMENDATION WOULD NOT PREVAIL. PAPALIGOURAS BELIEVES THAT IN ANY CASE PURCHASE OF

BAC-111 WAS NOT "OUT OF THE QUESTION" FOLLOWING THE COMMITTEE'S STUDY AND PUBLIC EXPLANATION OF ITS SELECTION AND RATIONALE. NEVERTHELESS, BECAUSE OF THE POLITICAL CONTROVERSY, HE (PAPALIGOURAS) STILL HAS TO PROCEED VERY CAREFULLY IN ORDER TO MINIMIZE CRITICISM OF THE GOVERNMENT CONCERNING THIS TRANSACTION. PAPALIGOURAS ALSO EXPRESSED CONCERN AT THE LOCAL (GREEK) BOEING REPRESENTATIVE'S APPARENT FEBRUARY 18 "ULTIMATUM", AND SAID THAT A DECISION COULD NOT BE FORCED BY SUCH TACTICS. FINALLY, PAPALIGOURAS EMPHASIZED HIS WISH THAT THIS CONTACT WITH THE EMBASSY NOT BECOME PUBLIC KNOWLEDGE.

5. EMBASSY HAS SINCE LEARNED FROM BOEING THAT, DESPITE TECHNICAL/FINANCIAL/PRODUCTION DIFFICULTIES OF CONTINUING DELAY, IT WILL MAINTAIN ITS OFFER FOR THE TIME BEING.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMERCIAL AIRCRAFT, SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ATHENS01487
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760060-0973
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760241/aaaabjux.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NOFORN
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NOFORN
Reference: 76 ATHENS 1472, 76 ATHENS 939, 76 ATHENS 757
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by greeneet>; APPROVED <29 JUL 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OLYMPIC PURCHASE OF NEW TWINJET AIRCRAFT
TAGS: BEXP, BENC, EAIR, EFIN, GR, US, OLYMPIC AIRWAYS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006